

<b>Issues with Financial Plan for FY 2008-2011 STIP</b>		
#	Comment	Priority
<b>"New Resources"/Revenue Forecasts:</b>		
1	The information provided on the revenue forecasts is insufficient to understand what was done. There is no specific information on the assumptions or methodologies and no tables or charts to illustrate the process from start to finish. Such information is undoubtedly available in working documents that could easily be summarized in the STIP narrative.	1
2	Page 27 – The first two paragraphs refer to forecasts based on 90 percent of historic trends. What are the historic trends? How were these calculated? Are there charts that illustrate this information? What year was used for projection base and what was the funding level for that year? Was each funding type projected independently? Were did the 90 percent come from?	1
3	Was the same approach used for each source (State, local, Federal, highway, and transit)?	1
4	The end result of the revenue forecast is a table of estimated revenues to carry out the program. To provide the MPOs, the rural program, small urban program, etc. with revenue forecasts of State and Federal funds, a table showing the distribution must be included.	1
5	Page 26 – The 25/75 split needs more explanation (e.g. items not included in the computation). The amounts shown in the flow charts going to local agencies are greater than 25%.	2
6	Page 26 – While the last paragraph implies the working group identified assumptions and methodology for revenue estimation and a way to display the financial constraint data, our files indicate that the group only addressed how to display the financial constraint data.	2
7	Page 27 – The last sentence of the third paragraph indicates that the year of expenditure group developed the new resources flow charts. Neither the year of expenditure work group nor the financial group from 2001/2002 developed the new resources flow chart.	2
8	Last sentence of page 27 indicates that the revenues shown in the constraint tables equal the forecast revenue but that is not the case. The constraint table for FY2008 is higher. The constraint tables include a row for other Federal funds (non-FHWA), yet the new resources section does not address this source. If additional revenue is projected to be available it must be addressed in the revenue forecasting section.	1
9	MDOT may want to consider excluding funding and project listings that are not regional significant and do not require FTA or FHWA approval from the revenue and constraint structure of the S/TIP. Such projects and their funding could be addressed in a separate chapter.	3
10	The process (23 CFR 450.216(l) and 23 CFR 450.324(h)) for cooperatively developing revenue estimates and their distribution is missing. Let's work on this for the next S/TIP.	3

Determining revenue available for capital expenditure (O&M deduction, AC deduction, and revenue charts)		
11	Pages 28 to 31 – The dollar amounts shown on the charts on these pages are the first indication of the projected revenue. The reader needs to know more to know where the projections came from. After all the purpose of the financial narrative is to disclose the rationale for the forecast and to assure the reader that the projections are reasonable. (see comment 12)	1
12	Last paragraph of page 27, the main purposes of the new resources flow charts was for MDOT to graphically illustrate how AC conversions can be accomplished without re-listing each project. The current charts are misleading in the way conversions are handled. The fact that AC conversions reduce the amount of Federal-aid available to start new projects must be clearly shown. We have been working on the AC Conversion issue since at least 1998 and FHWA's position has not changed during that time. A new chart must be used as previously discussed (see Jim Cramer e-mail of October 10, 2007, attached, with example flow chart).	1
13	Narrative states federal funds cannot be used for O/M, yet the flow chart suggests something different. If the recommended chart was used, it would correct this problem.	2
14	Page 32 - Table 4 only reflects MDOT; suggest there be language to state MPO O/M process is done differently and included in the MPO TIPs.	2
15	Page 32 - Table 4 revenues, in all four years, must be consistent with the revenue forecasts and the numbers in flow charts. It should reflect AC conversions, bonds, misc. revenues, and state portion of MTF.	1
16	The S/TIP box of flow chart – Include the Dollar amount for the local program for each year.	1
17	The * in the footnotes makes reference to GARVEE Bonds; MDOT does not have any officially recognized GARVEE bonds.	2
<b>Advance Construction</b>		
18	Page 33 Last sentence of first paragraph indicates that AC projects "... must be on the approved STIP, and certain other conditions apply." It is not clear what conditions this is referencing. We suggest that the phrase "... and certain other conditions apply" be replace with "at the time of initial authorization".	2
19	Page 33 - Define the terms "financial AC" and "programmatic AC".	2
20	Page 33 - Sentence three, second paragraph, is inaccurate and must be removed. As discussed above MDOT's AC conversions shown in the revenue availability charts reduce the FA available for new FA projects.	1
21	Page 33 - Sentence four, second paragraph, states that the ACC are shown on the New Resources flow chart. They would be more accurately represented on the recommended flow chart. (see comment 12)	1
22	Page 33 - Sentence four, second paragraph, also states that the ACC numbers are not reflected in the financial constraint tables. While this statement reflects the approached used in the draft document, the approach is wrong and must be	1

	corrected. The phrase from this sentence that reads "... but are not reflected in the financial constraint tables..." must be corrected. It should read "... <del>but are not</del> <b>and shall be</b> reflected in the financial constraint tables..."	
23	<p>Page 33- Under MDOT's methodology for AC of local projects:</p> <ul style="list-style-type: none"> <li>▪ Bullet 1: "when they are committed to" should read "when they are initially authorized."</li> <li>▪ Bullet 2: The intent of this point is unclear, it needs to be clarified.</li> <li>▪ Bullet 3: Is this point related to Bullet 2? Needs clarification.</li> <li>▪ Bullet 4: Is inaccurate, should read – "Projects must be listed in the year in which federal funds will be requested <i>and are</i> considered a new commitment in those years.</li> </ul>	1
24	Page 33, Last paragraph of AC – Last two sentences are contradictory to the first sentence stating "MDOT certifies that there is sufficient state revenue to cover all AC authorizations". MDOT needs to certify this at the development and approval of the program.	2
<b>Financial Constraint Tables</b>		
25	<p>Page 34, First partial paragraph, last sentence is inaccurate. The revenue listed in the financial constraint tables do not reflect the total revenue available, only what is needed to cover listed commitments. This is particularly true for year 2009, 2010, and 2011.</p> <p>Would be easier to do the revenue estimates one time and not change them at a later time.</p>	<p>1</p> <p>3</p>
26	<p>Page 34, Paragraph 3: The last sentence suggests that the revenue for off-cycle programs "...is included in the revenue estimates." While it may be part of the revenue estimation process it does not seem to be reflected in the revenue shown in the constraint tables, particularly for the out years.</p> <p>As noted before, it would be good to get the competitive programs, such as safety and heavy maintenance, on the same cycle as other programs.</p>	<p>2</p> <p>3</p>
27	<p>Page 34 - The "Small Urban Program" and the "Rural Task Force Program" are also being handled as GPAs but are not shown in the lists on page 34. They should be added.</p> <p>These GPAs are quite large. We should explore better ways to include these projects such as:</p> <ul style="list-style-type: none"> <li>▪ Subdivide geographically?</li> <li>▪ List earmarks separately?</li> <li>▪ Include a list of as an appendix?</li> <li>▪ Etc.</li> </ul>	<p>1</p> <p>3</p>
28	Page 34, Last paragraph - This paragraph indicates all estimated revenue is shown in the financial constraint tables. As noted above, this is not the case, particularly for FYs 2009, 2010, and 2011. This must be corrected.	1
29	<p>Page 35</p> <p>Bullets 2 and 5 - Statements are conflicting.</p> <p>Bullet 3 – The intent of this bullet is unclear; it needs clarification.</p> <p>Bullet 9 – We agree that converted advance construct funds should not be included in the estimate of Federal revenue available for capital investment, but they appear to be included in the fiscal constraint tables. Please correct.</p>	1

30	As noted previously the revenue numbers in constraint tables need to match the revenues shown in other tables and flow charts in the document for all fiscal years.	1
31	As noted previously, Federal revenue column in the constraint tables needs to be reduced to reflect the amount used for AC conversion for state projects.	1
32	When the AC conversion amount is removed for FY 2008, the program appears to be over programmed by \$200 million. This must be corrected.	1
<b>Other comments</b>		
33	Financial Plan was not part of the document that went out for public review and comment. The revenue section needs to be developed sooner in order to be available for this purpose.	3
34	Numerous page references not accurate	2
35	STIP narrative supplied with your 1-22-08 letter is marked draft. We will need a final before issuing an approval.	1

**Priority Column:**

1. **Comment must be addressed.**
2. **Comment does not constitute a fatal flaw, but revisions to improve the completeness and accuracy of the information is strongly encouraged.**
3. **Comment raises issue and offers suggestion for consideration and resolution at a future time.**

#97370

**From:** Cramer, James  
**Sent:** Wednesday, October 10, 2007 4:31 PM  
**To:** 'Marsha Small'  
**Cc:** Koepke, Sarah  
**Subject:** Revenue Flow Chart.ppt

**Attachments:** Revenue Flow Chart.ppt



Revenue Flow  
Chart.ppt (40 KB)...

Marsha,

I put together a revenue chart, based on the chart that was in the current STIP, that illustrates the points that we think needed to be more clear in the chart.

1. FHWA funds used for AC Conversions are not available for Federal aid projects.
2. AC conversions become State (or Local) funds
3. O&M costs are deductions from the State (or local) funds and thus are not available to match Federal funds

This is only a suggestion on how the charts could address our concerns. You are certainly free to use any chart you choose that clearly shows the same points

Jim

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